

12 March 2025

Sale of investment portfolio and proposed capital return to shareholders

H&G High Conviction Limited (ASX: HCF) (**HCF** or **Company**) announces that it has entered into a conditional agreement to sell substantially all of its assets to Hancock & Gore Limited (**H&G**) (**Proposed Divestment**).

Highlights

- Total non-cash consideration in the form of H&G shares equivalent to \$1.00 per share on issue less cash retention and any dividends declared or paid by the Company between signing and completion
- The consideration (excluding retention) represents:
 - a 31.5% premium to HCF's closing share price of \$0.76 prior to the announcement of the Proposed Divestment on 13 January 2025
 - a 9.6% premium to HCF's last reported Net Tangible Asset backing per share after all taxes of \$0.912 as at 28 February 2025
- H&G shares issued at \$0.30 per share, implying a distribution ratio of approximately 3.24 HNG shares for each HCF share based on retention amount estimates
- The sale presents an opportunity for the Company to sell its investment portfolio at an attractive valuation and provide shareholders with exposure to a larger and more diversified investment group
- The transaction is conditional on shareholder approvals which will be sought at an extraordinary general meeting to be held on 11 April 2025, with completion targeted for 17 April 2025
- The Company's Independent Board Committee unanimously recommends that shareholders vote in favour of the transaction, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the transaction is fair and reasonable to shareholders (excluding H&G and its associates)

Background

On 13 January 2025, the Company announced that it had received a non-binding indicative proposal from H&G to acquire the Company's investment portfolio.

The Company established an Independent Board Committee comprising Mr David Groves and Mr Dennison Hambling to oversee all aspects of the proposal. Director, Mr Nicholas Atkinson was excluded from decision-making in respect of the proposal due to his executive role with H&G.

The Independent Board Committee appointed Leadenhall Pty Ltd to prepare an Independent Expert Report which is attached to the notice of meeting released today. The Independent Expert has concluded that the Proposed Divestment is fair and reasonable to the Company's shareholders.

The Independent Board Committee unanimously recommends the Proposed Divestment to shareholders, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Proposed Divestment is fair and reasonable to the Company's shareholders (excluding H&G and its associates).

Transaction rationale

The Independent Board Committee considers that the transaction presents an opportunity for the Company to:

- sell its Portfolio Assets at an attractive valuation, which may not otherwise be realised if they remain owned by the Company; and
- provide shareholders with exposure to a larger and more diversified investment group.

Following the Proposed Divestment and Proposed Distribution, the enlarged H&G will have an expected pro-forma market capitalisation of approximately \$150 million, including 100% ownership of a cash generative operating business, with a dividend paying track record and over 25% total shareholder return since its recapitalisation under current management in October 2020.

Overview

The Company and H&G have entered into a conditional Asset Sale and Purchase Agreement (**Sale Agreement**) for the sale of the Company's Portfolio Assets to H&G.

The total non-cash consideration is equivalent to \$1.00 per share on issue, less the value of the Retention Amount (see below) and any dividends declared or paid by the Company between signing and completion of the Proposed Divestment (**Consideration**).

The Portfolio Assets comprise all of the Company's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.

The Retention Amount is a cash reserve to be retained by the Company to cover its expected transaction costs, tax liabilities, liabilities under its Investment Management Agreement and post-completion costs. The Company estimates that the Retention Amount will be between approximately \$300,000 and \$600,000.¹

The Consideration comprises the following:

- **(buy-back and cancellation of shares held by H&G)** the buy-back and cancellation of all shares in the Company held by H&G;² and
- **(issue of H&G scrip)** for the balance Consideration – the issue of fully paid ordinary shares in H&G to the Company at an issue price of \$0.30 per H&G share.

After completion, the Company will distribute the H&G scrip in-specie to shareholders on a pro rata basis (**Proposed Distribution**).³

Completion of the Proposed Divestment is subject to a number of key conditions including approval by the Company's shareholders.

Annexure A sets out further information on the key terms of the Sale Agreement. Additional details regarding the Proposed Divestment, including the Company's expected financial position before and after completion of the transaction, have been provided in the Notice of Meeting to be sent to shareholders and released on ASX today.

Consequences for the Company following the transaction

Following completion of the Proposed Divestment and Proposed Distribution, the Company will be a listed vehicle with no material debts, liabilities or assets, and the Company's Board will need to consider its strategic options for the Company following completion.

¹ The exact value of the Retention Amount will be determined prior to completion having regard to the Company's transaction costs, tax liabilities, management and performance fees payable under its Investment Management Agreement and its financial position at the time of such determination.

² As at the date of this announcement, H&G holds 4,974,756 shares in the Company, representing approximately 20.4% of shares on issue.

³ The in-specie distribution will occur after H&G's shares in the Company have been bought back and cancelled.

Next steps

An extraordinary general meeting will be held on 11 April 2025, at which shareholders will vote on the Proposed Divestment and Proposed Distribution. Subject to shareholder approval, completion of the transaction is targeted for 17 April 2025.

Thomson Geer is acting as the Company's legal adviser.

This announcement has been authorised for release by the Independent Board Committee. For more information, please contact the Chairman, David Groves on 0411 598 997.

Ends

Annexure A – Summary of Sale Agreement

The key terms of the Sale Agreement are as follows:

Parties	The Sale Agreement is between the Company as seller and H&G as buyer.
Sale of Portfolio Assets	<p>Subject to satisfaction of conditions precedent, the Company has agreed to sell all of the Portfolio Assets to H&G.</p> <p>The Portfolio Assets comprise all of the Company's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.</p> <p>The Retention Amount is a cash reserve to be retained by the Company to cover its expected transaction costs, tax liabilities, liabilities under its Investment Management Agreement and post-completion costs. The Company estimates that the Retention Amount will be between approximately \$300,000 and \$600,000.⁴</p>
Consideration	<p>The total Consideration value will be a dollar amount calculated as follows:</p> $(N \times \$1.00) - D - R$ <p>where:</p> <ul style="list-style-type: none">• N = the aggregate number of shares in the Company on issue immediately prior to completion of the Proposed Divestment and buy-back;• D = the aggregate amount of any dividends declared or paid by the Company before the completion date; and• R = the Retention Amount. <p>The Consideration comprises the buy-back and cancellation of all shares in the Company held by H&G at the buy-back price of \$1.00 per share and, for the balance of the Consideration, the issue of fully paid ordinary shares in H&G to the Company at an issue price of \$0.30 per H&G share.</p>
Conditions precedent	<p>Completion of the Proposed Divestment under the Sale Agreement is conditional upon the satisfaction or waiver of the following conditions precedent:</p> <ul style="list-style-type: none">• (shareholder approval) approval by the Company's shareholders for the purposes of:<ul style="list-style-type: none">• ASX Listing Rule 10.1.3, for disposal of substantial assets to a person who is a substantial (10%+) holder in the Company;• ASX Listing Rule 11.2, for disposal of the Company's main undertaking;• section 257D(1)(a) of the <i>Corporations Act 2001</i>, for the selective buy-back and cancellation of all shares in the Company which are held by H&G; and• section 256C(1) of the <i>Corporations Act 2001</i>, for the reduction in the share capital of the Company under the Proposed Distribution;• (Independent Expert's Report) the Independent Expert's Report continuing to conclude that the Proposed Divestment is fair and reasonable to the Company's shareholders (excluding H&G and its associates);• (buy-back) completion of the buy-back and cancellation of all shares in the Company held by H&G; and• (material NTA change) no material change occurring in respect of the net tangible asset backing per share in the Company after all taxes, as reported by the Company on ASX, during the period prior to completion.

⁴ The exact value of the Retention Amount will be determined prior to completion having regard to the Company's transaction costs, tax liabilities, management and performance fees payable under its Investment Management Agreement and its financial position at the time of such determination.

Conduct of business prior to completion	Until completion, the Company is required to continue to operate in the ordinary course of business, consistent with past practices and observe its obligations under its Investment Management Agreement, including restrictions on the disposal of material assets, modifying or terminating the terms of material contracts, issuing shares or declaring dividends.
Expected completion date	Completion of the Proposed Divestment is scheduled to occur 4 business days after satisfaction of the shareholder approval condition precedent. The Proposed Distribution is scheduled to occur 6 business days after completion of the Proposed Divestment.
Warranties	Under the Sale Agreement, both parties have given representations and warranties as to their corporate standing, solvency and authority to contract. In addition, the Company has provided limited representations and warranties to H&G as to its clear title to the Portfolio Assets and there being no infringements, disputes or claims relating to the assets.
Termination	The Sale Agreement may be terminated by either party due to insolvency or unremedied breach of the Sale Agreement. The Sale Agreement may also be terminated by H&G if the Independent Board Committee changes, withdraws or adversely modifies its recommendation in favour of the Proposed Divestment (Termination Event).
Reimbursement fee	The Company has agreed to pay H&G a reimbursement fee of \$50,000 (plus GST) if the Sale Agreement is terminated by H&G due to a Termination Event, unless such event occurred after: <ul style="list-style-type: none"> the Independent Expert either concluded that the Proposed Divestment is not <i>'fair and reasonable'</i> to the Company's shareholders (excluding H&G and its associates) or adversely changed its previously given opinion in the Independent Expert's Report; or the general meeting has been held and the Company's shareholders (excluding H&G) did not approve the resolutions required to implement Proposed Divestment or Proposed Distribution by the requisite majorities.
Quotation of Consideration Shares and Distribution	As soon as practicable after completion, H&G must apply for quotation of the consideration shares on the ASX and the Company must proceed with the Proposed Distribution and capital reduction.